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THE ARC OF GREATER NEW ORLEANS, INC.

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

YEARS ENDED JUNE 30, 2000 AND 1999

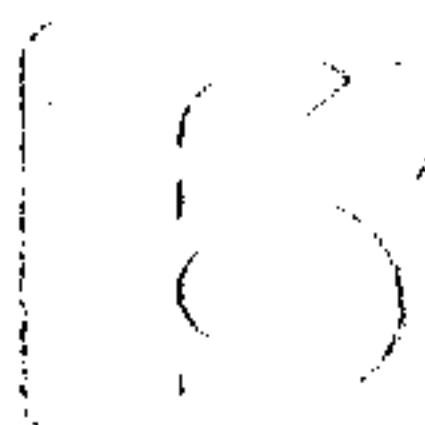
Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Louisiana Department of State, where appropriate, at the office of the parish clerk of court.

Release Date 2-21-01

THE ARC OF GREATER NEW ORLEANS, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the accompanying statement of financial position of The Arc of Greater New Orleans, Inc. as of June 30, 2000, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Arc of Greater New Orleans, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Arc of Greater New Orleans, Inc. as of June 30, 1999 were audited by other auditors whose report dated October 9, 1999, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of Greater New Orleans, Inc. as of June 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2000 on our consideration of The Arc of Greater New Orleans, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of The Arc of Greater New Orleans, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
October 13, 2000



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Arc of Greater New Orleans, Inc.

We have audited the financial statements of The Arc of Greater New Orleans, Inc. as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Arc of Greater New Orleans, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Arc of Greater New Orleans, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal and state regulatory bodies. However, this report is a matter of public record and its distribution is not limited.

Bain, Freibaum, Sagona & Co., L.L.P.

Certified Public Accountants
October 13, 2000

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 364,182	\$ 477,697
Accounts receivable		
Grants and contracts	299,685	268,728
Trade	581,701	391,070
Prepaid expenses	15,393	21,203
Deposits	<u>3,599</u>	<u>3,099</u>
TOTAL CURRENT ASSETS	1,264,560	1,161,797
PROPERTY AND EQUIPMENT, net	<u>427,013</u>	<u>474,285</u>
TOTAL ASSETS	\$1,691,573	\$1,636,082
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 255,028	\$ 211,102
Current portion of long-term debt	<u>23,193</u>	<u>21,390</u>
TOTAL CURRENT LIABILITIES	278,221	232,492
LONG-TERM DEBT, less current portion	71,011	94,429
COMMITMENTS	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	349,232	326,921
NET ASSETS		
Unrestricted	1,342,341	1,309,161
Temporarily restricted	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>1,342,341</u>	<u>1,309,161</u>
TOTAL LIABILITIES AND NET ASSETS	\$1,691,573	\$1,636,082

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
SUPPORT AND REVENUE:		
Support		
Grants and contracts	\$2,282,471	\$2,527,403
Contributions	<u>460,175</u>	<u>471,055</u>
Total Support	<u>2,742,646</u>	<u>2,998,458</u>
Revenue:		
Client fees	1,217,678	867,554
Medicaid	2,447,052	1,926,178
Group home	272,122	267,511
Interest income	20,949	16,706
Other income	<u>121,119</u>	<u>96,867</u>
Total Revenue	<u>4,078,920</u>	<u>3,174,816</u>
TOTAL SUPPORT AND REVENUE	<u>6,821,566</u>	<u>6,173,274</u>
EXPENSES:		
Program services:		
Early intervention programs	1,188,848	1,180,068
Rehabilitation services	227,008	230,175
Individual Options	855,382	850,167
Respite care programs	1,977,865	1,722,596
Operational programs	1,695,679	1,368,896
Other programs	345,591	267,398
Supporting services:		
Management and general	477,070	471,777
Fund-raising	10,288	24,336
Payments to affiliates	<u>10,655</u>	<u>10,889</u>
TOTAL EXPENSES	<u>6,788,386</u>	<u>6,126,302</u>
INCREASE IN NET ASSETS	33,180	46,972
NET ASSETS AT BEGINNING OF YEAR	<u>1,309,161</u>	<u>1,262,189</u>
NET ASSETS AT END OF YEAR	<u>\$1,342,341</u>	<u>\$1,309,161</u>

See notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

	PROGRAM SERVICES					TOTAL			
	EARLY INTERVENTION PROGRAMS	REHABILITATION SERVICES	INDIVIDUAL OPTIONS	RESPIRE CARE PROGRAMS	OPERATIONAL PROGRAMS		OTHER PROGRAMS	MANAGEMENT & GENERAL	FUND RAISING
Salaries	765,375	168,513	526,775	1,684,317	1,025,900	208,983	302,294	0	4,622,157
Employee benefits	38,320	7,585	34,762	22,100	25,177	9,262	21,186	0	188,392
Payroll taxes	62,528	17,220	50,881	150,385	118,349	16,526	27,125	0	443,014
Total Salaries and Benefits	866,223	193,318	612,418	1,856,802	1,169,426	234,771	350,605	0	5,253,563
Professional fees	165,244	504	1,869	5,663	118,135	1,518	2,156	0	295,089
Supplies	61,377	970	28,456	9,558	114,403	79,124	11,327	258	305,473
Telephone	8,118	1,455	5,847	4,593	6,661	3,241	6,966	0	36,881
Postage	1,652	449	1,094	3,955	2,593	482	454	440	11,079
Occupancy	91,926	8,848	85,955	23,613	101,670	7,812	31,661	98	351,583
Repairs and maintenance	27,219	3,416	27,696	11,725	47,449	4,900	10,465	0	132,870
Local transportation	9,192	4,668	61,784	46,320	60,150	10,715	7,608	0	200,437
Travel, conferences and meetings	4,573	745	4,442	5,459	1,420	1,575	13,274	0	31,488
Printing and publications	934	195	462	3,470	1,120	275	386	287	7,129
Membership dues	239	209	0	25	177	0	4,554	0	5,204
Other expenses	4,492	253	3,158	1,623	64,169	1,105	10,918	9,245	94,963
Payments to affiliates	0	0	0	0	0	0	10,655	0	10,655
Public relations	0	0	0	0	0	0	25,736	0	25,736
Depreciation	7,659	11,978	22,201	5,059	8,306	73	960	0	56,236
Total Expenses	1,188,848	227,008	855,382	1,977,865	1,695,679	345,591	487,725	10,288	6,788,386

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THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 1999

(Continued)

	PROGRAM SERVICES					MANAGEMENT & GENERAL	FUND RAISING	TOTAL PROGRAM & SUPPORTING SERVICES
	EARLY INTERVENTION PROGRAMS	REHABILITATION SERVICES	INDIVIDUAL OPTIONS	RESPIRE CARE PROGRAMS	OPERATIONAL PROGRAMS	OTHER PROGRAMS		
Salaries	575,095	171,772	538,988	1,467,252	888,885	177,031	0	4,103,177
Employee benefits	17,739	4,811	26,099	13,088	10,769	6,278	0	90,860
Payroll taxes	49,875	16,851	51,863	130,280	99,373	14,794	0	388,094
Total Salaries and Benefits	642,709	193,434	616,950	1,610,620	999,027	198,103	0	4,582,131
Professional fees	323,399	523	1,421	2,977	9,544	1,131	0	342,350
Supplies	60,560	2,146	27,297	8,955	92,114	34,766	8,067	252,818
Telephone	8,618	2,246	5,245	3,331	5,029	3,382	0	34,698
Postage	1,944	794	1,582	3,766	1,846	470	0	11,031
Occupancy	88,701	11,545	67,974	25,791	120,602	8,707	3,888	357,256
Repairs and maintenance	15,649	1,889	14,273	15,590	32,432	5,416	0	93,364
Local transportation	7,875	3,532	85,451	30,577	62,336	10,180	0	207,177
Travel, conferences and meetings	4,882	981	2,160	6,450	1,336	2,228	0	36,135
Printing and publications	1,055	178	324	3,979	811	1,588	1,178	15,638
Membership dues	50	301	0	25	25	0	0	5,810
Other expenses	16,213	628	2,945	5,361	37,281	1,354	11,203	92,351
Payments to affiliates	0	0	0	0	0	0	0	10,889
Public relations	0	0	0	0	0	0	0	20,257
Depreciation	8,413	11,978	24,545	5,174	6,513	73	0	64,397
Total Expenses	1,180,068	230,175	850,167	1,722,596	1,368,896	267,398	24,336	6,126,302

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2000 AND 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 33,180	\$ 46,972
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	56,236	64,397
(Increase) decrease in operating assets:		
Accounts receivable	(221,588)	(84,318)
Prepaid expenses	5,810	(6,921)
Deposits	(500)	(1,565)
Increase (decrease) in operating liabilities:		
Accounts payable	<u>43,926</u>	<u>84,867</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(82,936)</u>	<u>103,432</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>(8,964)</u>	<u>(97,928)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(8,964)</u>	<u>(97,928)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long-term debt for property	-	64,514
Payments on long-term debt	<u>(21,615)</u>	<u>(37,286)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(21,615)</u>	<u>27,228</u>
NET INCREASE (DECREASE) IN CASH	(113,515)	32,732
BEGINNING CASH	<u>477,697</u>	<u>444,965</u>
ENDING CASH	\$ <u>364,182</u>	\$ <u>477,697</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ <u>8,709</u>	\$ 10,603

See notes to financial statements.

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2000 AND 1999

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Arc of Greater New Orleans, Inc., is a nonprofit organization committed to securing for all people with mental retardation the opportunity to develop, function, and live to their fullest potential. Current services include: Children Services (Early Intervention, Child Care, and Family Service Coordination), Case Management, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operational Programs (Affirmative Businesses), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout the four-parish area (Orleans, Jefferson, Plaquemines, and St. Bernard).

Basis of Accounting - The Arc of Greater New Orleans, Inc., prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates - Management uses estimates and assumption in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Accounts Receivable - All receivables at June 30, 2000 and 1999 are considered collectible, accordingly, an allowance for doubtful accounts is not presented.

Property and Equipment - Property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements range from 10 to 31 years; equipment ranges from 3 to 10 years.

B. CASH - CONCENTRATION OF RISK

Financial instruments that potentially subject the Association to risk include cash on deposit with financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2000 and 1999, the Association's uninsured cash balances totaled \$17,882 and \$377,694, respectively. To provide additional protection against financial loss the Association has their daily balance in excess of \$55,000 placed into a nightly high-grade bond purchase fund. This nightly fund provides protection against financial institution closure by allowing invested funds to be available to the Association immediately in response to a closure.

(Continued)

THE ARC OF GREATER NEW ORLEANS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2000 AND 1999

(Continued)

C. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2000	1999
Buildings and improvements	\$ 862,312	\$ 862,312
Furniture and equipment	267,112	267,112
Automotive equipment	322,589	313,625
	1,452,013	1,443,049
Less accumulated depreciation	1,025,000	968,764
	<u>\$ 427,013</u>	<u>\$ 474,285</u>

Depreciation expense was \$56,236 and \$64,397 for 2000 and 1999, respectively.

D. INCOME TAXES

The Association is exempt from income taxes under Section 501 (c) (3) of the U.S. Internal Revenue Code, accordingly, income taxes are not presented in these financial statements.

E. NOTES PAYABLE

The Association's obligation under notes payable consist of the following:

	2000	1999
8.9% note payable, due in monthly installments of \$964, including interest, secured by a Deed of Trust on the land and building and maturing November 2006.	\$ 56,169	\$ 62,247
7.25% note payable, due in monthly installments of \$963, including interest, secured by two 1997 vans and maturing July 2002.	22,256	32,144
7.9% note payable, due in monthly installments of \$600, including interest, secured by 1998 E350 Club Wagon and maturing November 2002.	<u>15,779</u>	<u>21,428</u>
	<u>\$ 94,204</u>	<u>\$115,819</u>

(Continued)

SUPPLEMENTAL INFORMATION

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
State Department of Education:				
Infants/Families with Disabilities - FSC	84.181A		99-H4-TD-S	\$183,610
Infants/Families with Disabilities - DS	84.181A		99-H3-TD-S	52,194
Infants/Families with Disabilities - RC	84.181A		00-H1-TD-S	90,772
Infants/Families with Disabilities - DS	84.181A		00-H3-TD-S	279,204
Infants/Families with Disabilities - FSC	84.181A		98-1H-TD-S	<u>57,723</u>
Total Federal Grants				\$663,503

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF STATE AND LOCAL AWARDS

YEAR ENDED JUNE 30, 2000

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>State Expenditures</u>
State Department of Health and Hospitals/Office of Mental Retardation/Developmental Disabilities			
Vocational/Habilitative Services	544404		\$ 625,612
Early Intervention	544405		282,923
Respite Care Services	548618		92,929
Personal Care Attendant Services	550535		25,834
Family Support	550845		66,375
Family Support	550536		35,408
Personal Support	550847		<u>41,313</u>
			<u>1,170,394</u>
Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities			
Infant Habilitation	214		\$ 204,768
Employment/Vocational Services	176		218,299
Respite Care	181		24,640
Family Support	172		<u>39,164</u>
			<u>486,871</u>
Total State and Local Awards			\$1,657,265

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>				
State Department of Education:				
Infants/Toddlers with Disabilities - FS	84.181A		98-1H-TD	\$234,000
Infants/Toddlers with Disabilities - RC	84.181A		98-1H-TD	85,082
Early Intervention IDEA Part C	84.181A		98-H3-TD	<u>360,296</u>
Total Federal Grants				<u>\$679,378</u>

THE ARC OF GREATER NEW ORLEANS, INC.

SCHEDULE OF STATE AND LOCAL AWARDS

YEAR ENDED JUNE 30, 1999

<u>State Programs</u>	<u>Pass-through Grantor's Number</u>	<u>Grant Number</u>	<u>State Expenditures</u>
State Department of Health and Hospitals/Office of Mental Retardation/Developmental Disabilities			
Vocational/Habilitative Services	531025		\$ 626,312
Infant Habilitation	533098		282,923
Respite Care Services	531193		115,000
Personal Care Attendant Services	530939		26,000
Family Support	530656		33,538
Personal Support	531079		<u>52,185</u>
			<u>\$1,135,958</u>
Jefferson Parish Human Services Authority/ Division of Mental Retardation and Developmental Disabilities			
Infant Habilitation	181		\$ 312,393
Adult Habilitation	195		373,609
Respite Care in/Out of Home	110		36,616
Supported Living	384		<u>8,465</u>
			<u>\$ 731,083</u>
Total State and Local Awards			<u>\$1,867,041</u>